

## Appendix 2

### STATEMENT ON ANNUAL GOVERNANCE ARRANGEMENTS BY THE CHAIRMAN OF THE COMBINED FIRE AUTHORITY, THE TREASURER TO THE COMBINED FIRE AUTHORITY AND THE CHIEF FIRE OFFICER

#### Scope of Responsibility

Lancashire Combined Fire Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted an updated code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. Included within the Code are the following core principles:-

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Code-of-Corporate-Governance.pdf>)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 6(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

#### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2019 and up to the date of approval of the 2018/19 Statement of Accounts.

## **The Governance Framework**

The Governance framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the seven principles of Corporate Governance included in our Code and include:-

- The Integrated Risk Management Plan (IRMP) describes our aims, priorities, equality objectives and values, setting out our ambitions and how we will deliver them in the medium term. The current plan covering 2017-2022 was approved last year and can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Integrated-Risk-Management-Plan.pdf>
- Annual Service Plan details the activities we will undertake to deliver the strategy set out in our IRMP. The current plan covering 2019/20 was approved this year and can be found on our website at [https://vault.ecloud.co.uk/lancsfire/2019/05/2019-2020 Annual Service Plan ASP.pdf](https://vault.ecloud.co.uk/lancsfire/2019/05/2019-2020%20Annual%20Service%20Plan%20ASP.pdf)
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators;
- A Corporate Programme Board provides oversight across 4 areas:-
  - Business Process Improvement Programme
  - Workforce Development Programme
  - Service Delivery Change Programme
  - Capital Projects Programme.All major projects and reviews follow similar format and report to Corporate Programme Board
- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
  - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
  - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues
  - The Planning Committee - To consider reports and make decisions relating to all aspect of planning arrangements, including consultation and communication arrangements

- The Performance Committee - To consider reports and make recommendations on all aspects of performance management,
  - The Appeals Committee -To hear relevant appeals, grievances and complaints
- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (head of paid service), and 4 Executive Directors, is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team;
  - The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;
  - Comprehensive suite of strategies and policies in place and regularly reviewed
  - Codes of Conduct for members and officers, and member/officer protocol, that set out clear expectations for standards of behaviour;
  - Both the Monitoring Officer and Treasurer are involved in the Authority's decision making process, and ensure compliance with established policies, procedures, laws and regulations; All Authority reports are considered for human resource, financial, business risk, environmental and equality and diversity implications in order to identify key issues;
  - The Treasurer's role and financial management arrangements align with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government;
  - Well publicised arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption;
  - A Risk Management Strategy and framework which ensures that risks to the Service's objectives are identified and appropriately managed
  - Comprehensive Business Continuity arrangements in place, and tested on a regular basis
  - A framework to review potential partnership arrangements utilising set criteria prior to entering into such arrangements;
  - Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet.
  - Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements.
  - Comprehensive service review process in place, comprising external views in the form of HMICFRS Inspection review, External Audit reviews, Internal Audit reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

## Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A statement of assurance has been discussed and approved by the Executive Board as to the effectiveness of the governance arrangements for which it is responsible, including the system of internal control. The statement of assurance covers all the principles set out in the Authority's Code of Corporate Governance. The statement of assurance reveals no areas of weakness in the Authority's corporate governance arrangements; the arrangements are in all cases at least adequate and in the majority of areas good.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following have been considered:-

- The Integrated Risk Management Plan covers the five year period 2017-2022.
- We updated our Strategic Assessment of Risk.
- A revised Annual Service Plan has been agreed for 2019/20, providing clarity, both internally and externally, on our priorities set out in the IRMP and describes what our ambitions are for each priority, as well as setting out the projects and actions that will be delivered, developed or reviewed during the coming year against each of our priorities. This is supported by Local Delivery Plans.
- A framework exists to review potential partnership arrangements utilising the following criteria:
  - Will it make Lancashire Safer?
  - Will undertaking the activity potentially damage our brand?
  - Does it fit with the public image of the FRS?
  - Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?
  - Is there a significant negative financial impact?
  - Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)?
- Statement of Intent: Enhanced Collaboration between LFRS and Constabulary approved at Joint Exec Board. Joint Collaboration group established, reporting through to Members.
- An Operational Assurance Team undertake a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, and publicise any improvements through a regular newsletter, thus enhancing operational preparedness, operational response and operational learning.
- Performance appraisal incorporating values is undertaken throughout the Service
- Internal Audit services were provided by Lancashire County Council, who comply with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary.

- We have undertaken an Assurance mapping exercise, with our Internal Auditors, which has confirmed that a strong assurance framework is in place.
- As part of the 2018/19 internal audit plan the auditors undertook various reviews and gave the overall opinion that they can “*provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.*”
- Grant Thornton provide an external audit service to the Authority, and as such the effectiveness of the system of internal controls is also informed by their work. The latest Annual Audit letter did not identify any significant weaknesses in internal control arrangement and provided the following audit conclusions in relation to 2017/18:
  - Financial statements – “*We gave an unqualified opinion on the Authority's financial statements*”
  - Value for money conclusion – “*We were satisfied that in all significant respects the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year*”
- HMICFRS undertook its first inspection of the Service. Overall the Service was rated as Good, in all categories other than ‘Promoting the right values and culture’ in which it was rated outstanding. This was the highest overall rating of any Service in the first tranche of inspections, and the only outstanding rating. “*Overall, we commend Lancashire Fire and Rescue Service for its performance. We are confident it is well equipped for this to continue.*” and “*It provides an effective service*” and “*It provides an efficient and affordable service by making good use of its resources*”

Last year’s Annual Governance Statement identified a number of areas for improvement, and progress against these are set out below:-

Area for Improvement	Action to date	Complete/ On-going	Owner
Complete review of Scheme of Delegation	Review complete and agreed at Audit Committee in June.	Complete	Clerk
Complete review of staff recognition	Staff were consulted on recognition in the staff survey (May 2018) and the results are informing the recommendations. In-line with those results, a low-key recognition initiative was implemented in December 2018 where staff were asked to nominate ‘star’ colleagues who live our values. As a result, six members of staff (one from each area of the county) were presented with an LFRS Star Award. The initiative has been evaluated with a view to developing as part of the wider staff recognition programme.	Complete	Head of Corporate Comms
Create a new Intranet, incorporating social networking to connect staff across the service	The new intranet went live in April 2019. Staff were consulted on the name, design and content in the staff survey (May 2018) and via staff and intranet focus groups. Content authors in all departments have been identified and trained to use the site. This includes a social networking element for staff.	Completed in April 2019	Head of Corporate Comms

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **Significant governance issues**

On the basis of the review of the sources of assurance set out in this statement, we are satisfied that Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service has in place a satisfactory system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Whilst no significant governance issues were identified, the following new areas for improvement, are listed below:

- continue to develop, and embed, the new assurance monitoring system app to collate information and intelligence from multiple sources, as well as linking to national learning
- performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation

We propose over the coming year to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

### **Signed:**

County Councillor F DeMolfetta,  
Chairman,  
Lancashire Combined Fire  
Authority  
29 May 2019

J Johnston,  
Chief Fire Officer,  
Lancashire Fire and Rescue  
Service  
29 May 2019

K Mattinson CPFA,  
Treasurer,  
Lancashire Combined Fire  
Authority  
29 May 2019